

STATES OF JERSEY



DRAFT ANNUAL BUSINESS PLAN 2012 (P.123/2011): THIRD AMENDMENT (P.123/2011 Amd.(3)) – COMMENTS

**Presented to the States on 12th September 2011
by the Council of Ministers**

STATES GREFFE

COMMENTS

The Council of Ministers opposes both parts of this amendment

Part 1

Senator F. du H. Le Gresley proposes that the net revenue expenditure of the Economic Development Department shall be increased by £1,000,000 in order to provide a grant in this amount to the Tourism Development Fund in 2012.

AND

Part 2

Senator Le Gresley proposes that “except that the item “Police Station Relocation – Tranche 4” in the sum of £2,000,000 shall be reduced to £1,000,000 in the list of capital projects for 2012 Summary Table C, thereby reducing the amount required to be withdrawn from the consolidated fund from £35,814,000 to £34,814,000.

Comment

Part 1

Background

In December 2001, the States agreed **in principle** that the sum of £10 million should be set aside, over the following 5 years, for a new Tourism Development Fund, which was set up to replace the old Tourism Investment Fund.

In 2003, £1.2 million was transferred to the Fund. In 2004 and 2005, no funds were transferred, and in 2006, £1 million was transferred to the Fund. No further allocation has been made.

The Minister for Economic Development is committed to the continued development of the tourism industry in Jersey as evidenced by the following –

1. In the Draft Business Plan 2012, £5.923 million, or 37%, of the **entire** EDD net revenue expenditure budget is allocated to the tourism sector.
2. Within the Economic Development Department’s (EDD) CSR proposals, which will deliver the required 10% savings, the Minister for Economic Development has pledged to protect 2012 and 2013 net revenue expenditure from any further reduction. This is further emphasized in the Council’s Comment in response to the Deputy of St. Mary’s Amendment (P.123/2011 Amd.(9)).
3. In budget years 2009, 2010 and 2011, net revenue expenditure has been supplemented by at least £500,000 in each of these years from fiscal stimulus funds and re-allocation of EDD budget within year. This additional expenditure has, in no small part, contributed to the relatively strong performance of the sector during periods of difficult trading conditions.

New proposals for 2011 and 2012

The Tourism Development Fund (TDF) has provided a valuable source of funding for tourism-related infrastructure projects, as well as supporting additional tourism marketing and promotional activity.

At present the TDF has a positive balance of £45,000. EDD believes that the Fund continues to provide a very valuable role in assisting new tourism projects.

The TDF Panel members apply a rigorous approach to evaluating suitable projects for funding, and recent successes include Branchage, Liberation Festival, Jersey Boat Show, Jersey Fish Festival and the Jersey Food Festival.

The Minister for Economic Development had already planned to transfer £200,000 from the Department's 2011 revenue budget to the Fund this month. These additional funds will allow the TDF Panel to undertake a further round of grant allocations with immediate effect.

Furthermore, in recognition of the intent of Senator Le Gresley's Amendment, and with the support of the States, the Minister for Treasury and Resources would propose to transfer a further £450,000 from the Consolidated Fund. This is achievable because the Consolidated Fund has increased as a result of unspent Fiscal Stimulus monies of £450,000 and the Fiscal Stimulus Programme is closed.

This would provide a Fund of almost £700,000 from within existing States spending levels and will allow the TDF Panel to continue further rounds of grant allocations during 2012 and beyond.

To support this level of extra funding, the Minister for Economic Development will also lodge a Proposition asking States Members to extend the terms of the reference of the Fund to allow private sector applications. This will leverage private sector investment and stimulate new and exciting projects that deliver additional growth in the tourism sector.

Future proposals

For the TDF to receive a further allocation of funds from States spending beyond the commitments proposed for 2012, this would be best considered as part of the new States Strategic Plan and 2013 – 2015 Medium Term Financial Plan (MTFP), which will be brought before the States for approval in 2012.

Within the MTFP, funding required for all medium-term States expenditure will be better quantified. This will allow a more accurate prioritisation of all States spending, and included in the 2013 and 2014 States spending limits are Growth allocations of £6 million and £16 million respectively.

Summary

The Minister for Economic Development and the Council of Ministers are fully committed to the continued development of Jersey's tourism sector. This support is delivered in the form of a significant allocation of funds from the EDD net revenue budget and further funding proposed by the Minister for Treasury and Resources from the Consolidated Fund.

The Minister has pledged to retain 2012 and 2013 net revenue expenditure at 2011 levels, as such funding for the sector has been ring-fenced and protected from the Department's CSR budget reduction.

The Minister for Economic Development had already planned to transfer £200,000 to supplement the TDF in 2011 and the Minister for Treasury and Resources, with States support, will transfer £450,000 for 2012 from the Consolidated Fund. This is achievable because the Consolidated Fund has increased as a result of unspent Fiscal Stimulus monies of £450,000, and the Fiscal Stimulus Programme is closed.

This will provide almost £700,000 for the TDF Board to undertake further rounds of grant awards during 2012.

Given the level of revenue funding allocated to the sector from the EDD revenue budget, any further allocation to the TDF should be considered as part of the 2013 – 2015 Medium Term Financial Plan that will be brought to the States for approval in 2012.

Part 2

The need to provide new Police facilities is well established. In 1999 it was first decided that an alternative site should be found for the Police. This was followed by feasibility studies in 2001 and 2005 which have considered a total of 24 alternative sites.

The original budget for the Police HQ project was set in 2003 at c. £20 million on the basis of a development on the Esplanade that was not progressed. The 2012 allocation is the final tranche of this original budget as shown in Figure 1.

Figure 1 – Funding proposed for Police HQ Project

Source	Amount £ million
2005 Capital Programme	£8,060
2007 Capital programme	£4,053
Transferred from Inflation Reserve	£1,698
2009 Capital Programme	£4,254
Total to date	<u>£18,065</u>
2012 Indicative Capital programme	£2,000
Total Budget Allocation	£20,065
Less Expenditure 2005 to date	-£0,921
Budget Available	<u>£19,144</u>

Early in 2011, it was identified that the option of acquiring Lime Grove House and refurbishing existing facilities would require additional funding of £2 million. This was identified as the most cost-effective option and it was therefore proposed that additional allocations of £1 million should be made in each of 2013 and 2014.

As members are aware, Lime Grove House has been leased to a major financial services company. Work is being urgently progressed to find an alternative solution within the existing funding. It is necessary, therefore, to maintain this budget at this time.

Reducing the budget may compromise the solution and limit the options which could be considered.

There is a need to maintain the current budget until an alternative solution has been fully costed to ensure that we provide the States of Jersey Police with the kind of working environment they deserve to deliver modern policing in Jersey.

Financial implications

The Council of Ministers is opposing both parts of this amendment. The Council recognises that each part of the amendment will be debated separately, which could result in additional expenditure of £1,000,000 being allocated to the Economic Development Department and total States net revenue expenditure increasing in 2012. However, the Council cannot support the removal of the £1 million in 2012 for the Police HQ Relocation – Tranche 4 from the 2012 Capital Programme, and urges members to reject both parts of the amendment and support the alternative proposals from the Council of Ministers.

The Council's proposal, outlined in Part 1 of the Comment, shows that £650,000 of funding for the TDF can be found from a combination of Economic Development Department transfers and, with the support of the States, the Minister for Treasury and Resources would propose to transfer a further £450,000 from the Consolidated Fund. This is achievable because the Consolidated Fund has increased as a result of unspent Fiscal Stimulus monies of £450,000 and the Fiscal Stimulus Programme is closed. This would negate the need for any transfer from the much-needed funding for the Police HQ relocation project.

Statement under Standing Order 37A [Presentation of comment relating to a proposition]

The Council of Ministers was unable to approve the comments before the deadline as a result of the States Sitting beginning on Monday 12th September.

Re-issue Note

These comments have been re-issued at the request of the Council of Ministers as there were slight amendments to the text as originally printed.